BUSINESS IT AFRICA
01 Jun 2010
Page : 70 #

Evolution of the wireless OEM

By Adnaan Isaacs, professional services manager at Tellumat Wireless Solutions

For some years now, an increasing number of market dynamics have put pressure on wireless communications OEMs (original equipment manufacturers) and regional equipment distributors, to move on from pure equipment sales and systems integration to higher value-added services.

The pressure is now so intense that few can afford not to invest in technical and generic project management certifications.

The good news: firms that market their own hardware won't find themselves in totally unfamiliar territory when suddenly forced to implement and maintain it.

But it begs the question – why didn't they get into services, some of which offer recurring income before the writing was on the wall? Whatever their answer, they need not fear - what may seem like a threat is in reality a big opportunity, with the proviso of some investment being required.

So which factors have tipped the wireless industry over into services territory?

* Everybody wants services - Tenders for wireless solutions are increasingly merging the hardware and services components, with the latter often comprising as much as 70% of the value of the contract. In other cases, where customer requirements comprise more than one equipment class, preference is often given to providers that are able to manage an array of subcontractors to address the overall requirement. So from the customer's point of view, combined tenders are a reaction against the complexity of managing a multitude of vendors involved in wireless solution delivery.

From the provider's perspective, the historical "layered" model has put OEMs under severe margin pressure and gave them little control over the brand experience. As a result, savvy OEMs began to build a service competency, so as to be able to offer a full turnkey solution. With more share of the margin, they were further able to pass on savings to the customer, and to deliver a more holistic solution and experience.

* Commoditisation - It's a swear word in some circles, but the bitter truth is that today's clever product will tomorrow be overtaken by a cheap and cheerful equivalent. Even highly specialised niche products fall victim to commoditisation.

The answer is to increase one's value proposition by developing a service capability. And in this, South African firms still have the edge over their Far Eastern competitors.

* Local content - Tenders increasingly favour "local content". Sometimes the only way to satisfy that is through a significant service component.

Why is that? Local OEMs and distributors that develop a service business for any of the aforementioned reasons will necessarily become more product-agnostic, often leading them to import solutions for their customers' requirements. Once they do this, prevailing tender requirements will force them to match their global hardware with a local service component. The bottom line is that, once you start swimming in the rising services tide, it is best to keep swimming or you'll be out of the race.

The requirement for local content also stops customers from engaging overseas OEMs without specifying a local service partner.

For this reason, more and more overseas providers are approaching local service companies to partner them in tendering for local business, which would have left these shores far more easily in years gone by.

* Hard times - During the recession, even leading OEMs and network operators have been loath to employ new staff, instead turning to competent service organisations to represent them in "lower-tier" market regions.

* Winning combination - The service evolution in the wireless communications industry has finally reached a tipping point. Companies that offer a full turnkey service capability that covers a wide range of OEMs' products, and focus on lead contractor roles or industry partnerships, will come out on top.